



# Iowa Department of Human Services

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## INFORMATIONAL LETTER NO.1820-MC-FFS

**DATE:** August 23, 2017

**TO:** Iowa Medicaid Home- and Community-Based Waiver (HCBS) Service Providers

**APPLIES TO:** Managed Care and Fee-for-Service

**FROM:** Iowa Department of Human Services (DHS), Iowa Medicaid Enterprise (IME)

**RE:** Cost Reporting Requirements and Medicaid Fee-for-Service (FFS) Cost Settlement

**EFFECTIVE:** Immediately

The Iowa (IA) Health Link managed care program started on April 1, 2016. Informational Letter (IL) [1695](#)<sup>1</sup> issued on July 15, 2016, notified providers of the cost report requirement and the Medicaid Fee-for-Service (FFS) cost settlement. This letter will provide an update and clarification regarding Medicaid cost report submission requirements and usage as a result of this transition.

### Submission of Medicaid Cost Reports

Iowa Medicaid providers that were required to submit cost reports prior to and after the IA Health Link managed care program transition are required to continue to submit reports in accordance with applicable rules under 441 Iowa Administrative Code. The cost report submission requirements will not change, until a change is directed by the legislature and/or changes are made to 441 Iowa Administrative Code.

Medicaid FFS claims will be paid at the current rate methodologies according to applicable rules under 441 Iowa Administrative Code. Medicaid cost reports will continue to be reviewed and will be used to establish rates and calculate retrospective settlement amounts for Medicaid FFS claims. During State Fiscal Year (SFY) 2018, the department will be implementing tiered rates for daily supported community living (SCL) services in the Intellectual Disability (ID) Waiver. New prospective unit rates established for the daily SCL service will be replaced by tiered rates for the daily SCL upon implementation by the department.

### Reporting of Cost on the Medicaid Cost Report

When completing the cost report for the 2017 HCBS Cost Report, all revenue and cost from the general ledger and working trial balance should be reported along with the applicable units of service provided. The units of service will need to be tracked separately for Medicaid FFS, Medicaid managed care, and other payor sources such as private pay and Medicare. All costs and units for Medicaid services paid by the Managed Care Organizations (MCOs) will continue to be considered Medicaid program costs and units for cost reporting purposes.

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<sup>1</sup> [https://dhs.iowa.gov/sites/default/files/1695-MC\\_Cost%20ReportingRequirementsandMedicaidFFSCostSettlement.pdf](https://dhs.iowa.gov/sites/default/files/1695-MC_Cost%20ReportingRequirementsandMedicaidFFSCostSettlement.pdf)

The Medicaid cost report establishes the total allowable cost of providing a unit of service, in accordance with 441 Iowa Administrative Code, for all individuals receiving the service. The retrospective settlement process will occur for services that are billed to and paid by the IME under Medicaid FFS and will exclude services that are billed to Medicaid managed care and other payor sources.

### **Updates to the HCBS Medicaid Cost Report**

The HCBS cost report has been updated for the SFY ending June 30, 2017. The form number has been updated to [470-5477](https://dhs.iowa.gov/sites/default/files/470-5477)<sup>2</sup> and various updates have been made to all schedules. A listing of the changes made are summarized below:

#### Certification Page:

- Signed certification page and general cost report information is now on a separate page, similar to the nursing facility cost report.

#### Statistical Data Page:

- Removed supported employment codes.
- Listed out each potential cost report code.
- Added Community Integrated and “Other”, along with the definition at the bottom, to allow separation for sites with five or less members versus six or more.
- Added three more sections, under each procedure code for question two, to breakout units between DHS and the three MCOs.
- Added question four related to transportation reimbursement.

#### Schedule A:

- Added three separate lines for the MCO revenue breakdown.

#### Schedule A-1:

- Added supplemental Schedule A-1 to breakout revenues for the three MCOs by service code.

#### Schedule B:

- Updated columns (regular hours, overtime hours, total staff beginning and ending of period, and wages/salary).

#### Schedule C:

- Added additional sections for depreciation calculations.
- Added a section for residential property rental/lease expense.

#### Schedule D:

- Allocation Basis column five added. The method to allocate must be disclosed in Column five. Any allocation method used must be objective and supported by clear and reviewable documentation. Support for any statistics used must be made available to the IME Provider Cost Audit and Rate Setting Unit, upon request. Revenues and estimates are not allowed allocation methods.

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<sup>2</sup> <https://dhs.iowa.gov/sites/default/files/470-5477.xls>

- Section 2200 combined benefits and provided breakout for benefits related to professional, other direct care, and admin/clerical/“other” staff.
- Section 2300 provided breakout for payroll tax expense items related to professional, other direct care, and admin/clerical/“other” staff.
- Combined Other and Recreational & Craft Lines under Section 2500 "Total Supplies".
- Combined Telephone and Postage/Shipping into one Line 2600.
- Redefined interest Line 2840 to be specific to property.
- Combined Building & Groups Supplies with Care of Building and Grounds under section 2800.
- Section Line 3100 Outside Printing expanded to breakout Employee Advertising and Promotional Advertising.
- Combined Subscriptions, Organization Dues, and Awards into one Line 3400.
- Added Bad Debt and Non-Property Interest under Section 4900.
- Added definition to define Community Integrated and “Other”.

#### Schedule F:

- Updated to provide information specific to Related Party Compensation.

#### Supporting Schedules 1 and 2:

- Added for providers to include cost report support.
- Providers can use Supporting Schedules to identify their allocation method used on Schedule D, if not already identified on Schedule D.

#### Contact Info.

- Added for providers to include any necessary updates to contact information.

#### **Services Provided During SFY 2017**

Cost reports should be submitted for the provider’s full fiscal year July 1, 2016 through June 30, 2017. The IME will use Medicaid cost report information and FFS paid claims data for services provided during the cost report period in the reconciliation calculation for all applicable provider types. The cost report will also be used for updating the Medicaid FFS reimbursement rate, in accordance with 441 Iowa Administrative Code.

#### **Services Provided After SFY 2017**

Until a change is directed by the legislature and/or changes are made to 441 Iowa Administrative Code, cost reports will continue to be submitted to the IME. Additionally, the retrospective cost settlement and rate setting process for Medicaid FFS will be made in accordance with applicable 441 Iowa Administrative Code for Medicaid FFS claims, **with the exception of Intellectual Disability services transitioning to the tiered rate methodology including daily Supported Community, Day Habilitation and Adult Day Services.**

If you have any questions please contact the IME Provider Cost Audit and Rate Setting Unit at 1-866-863-8610, or email at [costaudit@dhs.state.ia.us](mailto:costaudit@dhs.state.ia.us).